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BUSINESS | MARKETS

Glencore Lost \$5 Billion in 2015

But company's share price up 45% in 2016, buoyed in part by rising commodity prices



Glencore CEO Ivan Glasenberg is upbeat despite miner's loss of almost \$5 billion in 2015. *PHOTO: LUKE MACGREGOR/BLOOMBERG NEWS*

By SCOTT PATTERSON and ALEX MACDONALD

Updated March 1, 2016 7:19 p.m. ET

LONDON—Swiss commodities company Glencore PLC said it lost almost \$5 billion in 2015, among its worst performances, but Chief Executive Ivan Glasenberg sounded a rare note of optimism for a mining industry racked by a prolonged price slump.

“Have we bottomed? I think so,” Mr. Glasenberg said Tuesday on a call with reporters. His upbeat remarks run counter to some other mining executives, who have said they continue to expect more pain in 2016.

Glencore’s results put an exclamation mark on a dismal 2015, for which \$32 billion of losses were reported by the world’s five largest independent miners: Glencore, BHP Billiton Ltd., Rio Tinto PLC, Vale SA and Anglo American PLC.

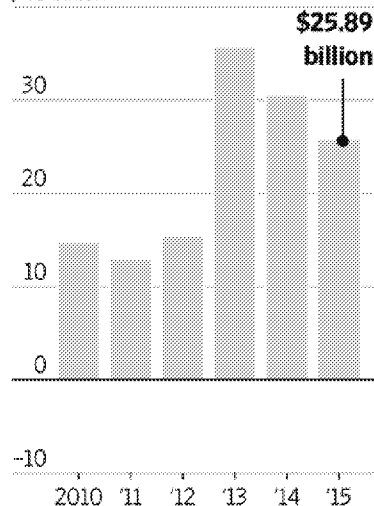
Miners have been ravaged by an unexpectedly sharp downturn in demand from China, whose consumption had driven a stream of new production from mining companies that started about a decade ago. Now, the companies have slashed spending, taken big impairment charges and cut dividends, hoping to salvage their hemorrhaging balance sheets and stave off further ratings downgrades.

Battered Giant

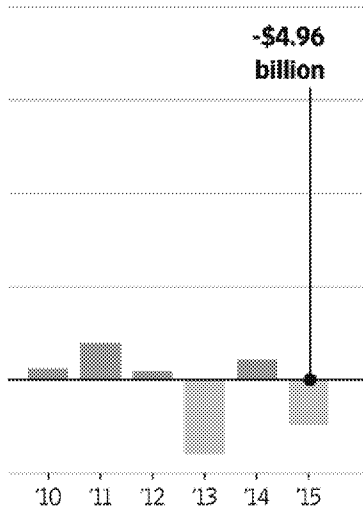
Mining and commodities group Glencore is speeding up plans to cut debt after reporting a loss of nearly \$5 billion in 2015

Net debt

\$40 billion



Net earnings



Note: In May 2013, Glencore acquired the remainder it didn't already own in Xstrata PLC for \$29.5 billion

Source: the company

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Mr. Glasenberg said he was optimistic that 2016 wouldn't be a repeat of 2015. He cited solid demand for Glencore's products world-wide and sharp spending cutbacks among large mining companies, including his own.

Glencore has cut spending and production at its coal, copper and zinc mines. The copper cuts have taken about 300,000 metric tons of annualized production out of the market, Mr. Glasenberg said.

The spending cuts are expected to reduce the supply of metals that have outpaced demand in recent years, an imbalance that sent prices for metals such as copper down 25% in 2015.

“You’re not going to get new excess supply coming on the market,” Mr. Glasenberg said.

Another reason for his optimism: solid sales to China, where worries about an economic slowdown in the world’s biggest consumer of industrial metals have weighed on prices.

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“We continue to see good orders into China,” including sales of copper, one of Glencore’s most important commodities, he said.

Mr. Glasenberg’s optimism is partly reflected in the company’s share price, which has gained 45% this year, buoyed in part by rising commodity prices. Iron ore and copper have rebounded in early 2016, partly in response to signs of renewed stimulus in China, giving a boost to mining stocks. Glencore has also been supported by its progress on a plan to raise cash from selling assets, cutting costs and refinancing a chunk of debt.

Mr. Glasenberg’s rivals are less sanguine about market conditions. Anglo American CEO Mark Cutifani said last month that 2016 could be worse than last year for commodities.

“Opinions are divided on whether we have reached the bottom of the cycle,” Mr. Cutifani said at a mining conference in South Africa. “So things may still get worse before they get better.”

BHP Billiton Chief Executive Andrew Mackenzie said Monday that his company was caught off guard by China’s transition to a consumer-led economy and away from industrial growth, a trend he said would “further constrain demand for commodities.”

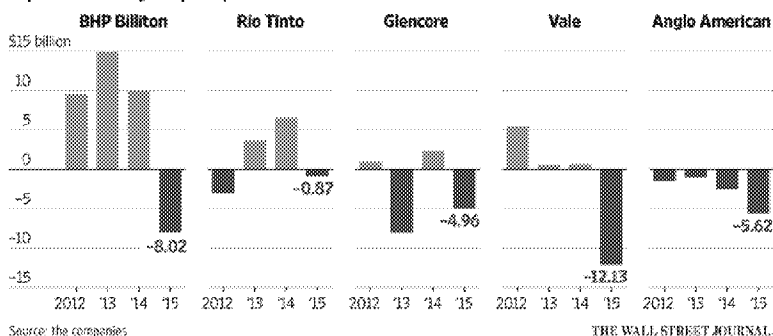
In London, Glencore’s shares fell 2.1%, to £1.31 (\$1.82) on Tuesday.

The company said it lost nearly \$5 billion in 2015, compared with a net gain of \$2.3 billion the previous year on tumbling raw-material prices. Company officials promised to sell more assets than originally planned this year to further shore up Glencore’s finances.

Piling Up

Profits are a thing of the past at the world's biggest miners during a prolonged price downturn.

Top five miners by net profit/loss



Glencore's loss last year was exceeded only by the \$8 billion loss it took in 2013, when it reported an \$8.1 billion write-down for charges related to its \$29.5 billion takeover of Xstrata.

The company's trading arm helped stave off an even bigger loss, pulling

in \$2.7 billion in earnings before interest, taxes, depreciation and amortization, 11% lower than a year earlier. By contrast, the mining division's adjusted earnings plunged 38%, to \$6 billion.

Mr. Glasenberg said Glencore's balance sheet could weather lower commodity prices. The company is following through on a comprehensive restructuring of its finances, announced in September, that includes a suspended dividend.

Those moves have helped it cut its net debt by 15%, to \$25.9 billion, by the end of December from a year earlier. Management is now aiming to sell \$4 billion to \$5 billion in assets this year, up from a previous goal of \$3 billion to \$4 billion, targeting a reduction in net debt to \$17 billion to \$18 billion this year, compared with its previous debt goal of \$18 billion to \$19 billion by the end of 2016. Glencore's net debt stood at \$29.6 billion as of June 30.

Glencore's debt-reduction plan includes the possible sale of a minority stake in its agricultural-products business in the second quarter and expectations it will receive final bids for at least one of two copper mines, Cobar in Australia and Lomas Bayas in Chile.

Corrections & Amplifications:

Billiton CEO Mackenzie was quoted as speaking on Tuesday. An earlier version of this article gave the wrong day. (March 1)

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